

Financial Report

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

OF

GEO. A. HORMEL & COMPANY

AUSTIN, MINNESOTA

for the

Fiscal Year Ended October 27, 1962



FIVE YEAR REVIEW

(In thousands of dollars)

	1962	1961	1960	1959	1958
Sales	\$384,742	\$384,145	\$372,276	\$401,723	\$373,181
Net Earnings	3,062	3,147	4,533	5,839	3,000
Wage Costs	73,581	71,574	71,291	71,154	63,828
Total Taxes	4,211	4,814	6,233	7,667	4,462
Depreciation	2,353	2,400	2,186	2,165	2,105
Properties (net) ..	20,663	19,345	19,159	18,686	19,126
Working Capital..	29,152	30,281	27,934	28,189	24,606
Stockholders'					
Investment	47,527	46,138	42,400	40,983	36,637

<i>Sales tonnage</i> <i>(million pounds)</i>	1,093	1,094	1,122	1,167	1,001
<i>Net earnings to:</i>					
<i>Sales</i>8%	.8%	1.2%	1.5%	.8%
<i>Sales tonnage</i> <i>(cwt.)</i>	28¢	29¢	40¢	50¢	30¢
<i>Per share earnings</i> <i>on common stock</i> <i>(adjusted)</i>	\$2.56	\$2.63	\$3.79	\$4.88	\$2.51

Austin, Minnesota
December 3, 1962

To the Stockholders of
Geo. A. Hormel & Company

The net earnings of the Company for the year which ended October 27, 1962, were \$3,062,370, or \$2.56 on each share of common stock. A year ago, net earnings were \$3,147,435 — \$2.63 a share.

Dollar sales for the year, after returns and allowances, were \$384,741,540, as compared to \$384,144,857 last year — a nominal increase of \$596,683.

Sales tonnage was 1,093,309,540 pounds, a decrease of 1,177,320 pounds, or 1/10 of one percent, from a year ago.

The net profit per dollar of sales continues to be low as compared with other industries. This year it was 8/10 of one cent per dollar of sales, and only 28 cents per hundredweight of product sold.

Downward pressure on profitable operations was exerted throughout the year by the continued burdensome costs of slaughtering beef, by high production costs in a number of other departments and units, particularly at the Austin, Minnesota, plant, by intense competition for available supplies of hogs, and by constant difficulty in maintaining adequate margins in the marketing of products. Because of oppressive production costs, your Company found it necessary to discontinue the slaughter of veal and lambs on April 28, 1962, after more than 30 years of conducting that part of a packinghouse operation.

The working capital of the Company was \$29,151,569. The sum of cash, government securities, and accounts receivable exceeded current liabilities by \$8,391,749, and all liabilities by \$5,991,749.

Expenditures for capital improvements and additions were somewhat in excess of \$3,800,000. The net addition to capital assets for the year, after retirement and investment credits, was \$2,782,430. Depreciation for the year on plant and equipment was \$2,352,523.

During the year, the Company made substantial improvements in the plant at Austin, Minnesota, consisting principally of a new bulk animal feed mill, a rearrangement and modernization of the hog kill and beef cooler facilities, and a new continuous processing Vienna Sausage installation. We have completed a new distribution center in Charlotte, North Carolina, and have substantially completed new hog cutting facilities in the plant at Mitchell, South Dakota. Under the planned capital improvement program of the Company, it is expected that expenditures in the coming year for more modern operating units and for improved production facilities will exceed those investments this year.

Payment and provision for all taxes for the year amounted to \$4,210,861.

Dividend distributions for the year were \$1,673,869, consisting of four quarterly dividends of 35 cents — a total of \$1.40 — on each share of common stock. These payments maintained a dividend record of thirty-four consecutive years in which the Company has paid dividends to stockholders.

The sum of \$2,150,000 was contributed toward present and past services to the Employee Pension Trusts, an increase of \$550,000 over last year. This increase was brought about primarily by a change in the plan whereby pensions for non-exempt employees were increased from \$2.00 to \$2.50 per month for each year of service, and without limitation on the number of years. The contributions by the Company to these Pension Trusts and to the Profit-Sharing Trust, since the inception of these employee retirement programs, total \$23,391,867.

The Joint Earnings sum made available to eligible employees, the twenty-fourth such apportionment, amounted to \$294,833, making a total allotment, since the beginning of the Joint Earnings Plan, of \$24,645,273.

As in past years, an advance payment of \$1,200,000 was made on the term loan of the Company, reducing the balance of that loan to \$2,400,000, payable one-half on November 15, 1963, and the other half on June 30, 1964. Other than this balance on the term loan, the Company had no money borrowed from banks at the end of the fiscal year.

Pursuant to union agreement, negotiated in 1961, and in accordance with established procedure under our agreement, a general wage increase of 6 cents an hour was put into effect on September 1, 1962. In addition to this general wage increase, and in accordance with the union agreement, a cost of living increase of 1 cent an hour became effective on January 1, 1962, and again on July 2, 1962 — making a total hourly wage increase of 8 cents an hour during the year.

The Company has continued its basic national advertising program, in addition to selected sectional advertising of principal products.

Through a consultant firm of industrial designers and marketing analysts, the Company has initiated a research study of its labels, packages, designs and Company image. Management believes that a review and analysis of this phase of our business by outside people, who are experienced in the field of consumer acceptance and preference, will provide valuable information in developing our marketing program.

The Company is continuing its examination of individual departments and units of its operation for the purpose of determining the areas in which not only the flow of work may be improved, but also the areas in which production procedures and costs may be adjusted, in order to protect and preserve the job opportunities of present and future employees and the investment of our stockholders.

Recent estimates indicate a somewhat larger supply of hogs in the coming year. With the improvement and modernization of many of our production and marketing facilities, your Company believes that it will be able to slaughter, process and market, more efficiently and effectively, the livestock made available to us.

Once more we want to express our sincere appreciation for the support and cooperation of our employees, customers, livestock producers, and stockholders.

H. H. COREY
Chairman of the Board

R. F. GRAY
President

GEO. A. HORM

Statement of Financial Position

October 27, 1962

CURRENT ASSETS

Cash	\$ 6,200,935	
United States Government securities—at cost which approximates market	6,420,418	
Accounts receivable, less allowance of \$100,000	15,595,984	
Inventories of products, livestock, packages and materials—at lower of cost (principally first-in, first-out) or market	20,530,810	
Prepaid insurance and other expenses	229,010	
Total Current Assets		\$48,977,157

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$17,641,426	
Dividend payable November 15	418,467	
Federal taxes on income—estimated	1,765,695	
Total Current Liabilities		19,825,588

WORKING CAPITAL

\$29,151,569

INVESTMENTS—at cost	112,500
---------------------------	---------

PROPERTY, PLANT AND EQUIPMENT

on the basis of cost

Buildings (\$19,291,952) and equipment ..	\$46,162,463	
Less allowances for depreciation	26,197,073	
	\$19,965,390	
Land	697,351	20,662,741
		\$49,926,810

LONG-TERM DEBT

Unsecured notes payable to banks \$1,200,000 on November 15, 1963 and June 30, 1964	2,400,000
--	-----------

STOCKHOLDERS' INVESTMENT

\$47,526,810

EL & COMPANY

Statement of Stockholders' Investment

CAPITAL STOCK

(At October 27, 1962)

Preferred stock, par value \$100 a share:

Authorized 50,000 shares

Issued and outstanding—none

Common stock, par value \$7.50 a share:

Authorized 1,600,000 shares

Issued and outstanding 1,195,621 shares .. \$ 8,967,157

Additional paid-in capital 1,945,088 \$10,912,245

EARNINGS REINVESTED IN BUSINESS

Balance October 29, 1961 \$35,226,064

Net earnings for the year 3,062,370

\$38,288,434

Deduct cash dividends on common stock—

\$1.40 a share 1,673,869

Balance October 27, 1962 (under provisions

of long-term debt agreement \$20,962,996

not available for cash distributions on

common stock) 36,614,565

TOTAL STOCKHOLDERS' INVESTMENT

\$47,526,810

STATEMENT OF EARNINGS

Fiscal Year Ended October 27, 1962

SALES (less returns and allowances).....			\$384,741,540
Other income			124,899
			<u>\$384,866,439</u>
COSTS, EXPENSES AND TAXES			
Cost of products sold, selling, delivery, administrative and general expenses, ex- clusive of items shown separately	\$301,392,503		
Wage costs:			
Wages and salaries, in- cluding joint earnings	\$67,032,165		
Pension trust contribu- tions (unfunded past service cost estimated at \$19,850,000 over next 25 years)	2,150,000		
Federal and state unem- ployment and old age contributions	1,657,651		
Group life, hospitaliza- tion and sick leave	<u>2,741,040</u>	73,580,856	
Provision for depreciation		2,352,523	
Interest		267,326	
Taxes:			
State income, property and other taxes	\$ 1,610,861		
Federal taxes on income (estimated)	<u>2,600,000</u>	<u>4,210,861</u>	<u>381,804,069</u>
NET EARNINGS			<u>\$ 3,062,370</u>

ACCOUNTANTS' REPORT

To the Stockholders and Board of Directors

Geo. A. Hormel & Company

Austin, Minnesota

We have examined the statement of financial position of Geo. A. Hormel & Company as of October 27, 1962, and the related statements of earnings and stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position, earnings and stockholders' investment present fairly the financial position of Geo. A. Hormel & Company at October 27, 1962, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

Minneapolis, Minnesota

November 20, 1962

OFFICERS

H. H. Corey	-	-	-	-	-	-	Chairman of the Board
R. F. Gray	-	-	-	-	-	-	President
M. B. Thompson	-	-	-	-	-	-	Executive Vice President
R. D. Arney	-	-	-	-	-	-	Vice President
Bruce Corey	-	-	-	-	-	-	Vice President
E. H. Flitton	-	-	-	-	-	-	Vice President
E. J. Garrity	-	-	-	-	-	-	Vice President
John R. Jones	-	-	-	-	-	-	Vice President
J. L. Olson	-	-	-	-	-	-	Vice President
Geo. W. Ryan	-	-	-	-	-	-	Vice President and Treasurer
Fayette Sherman	-	-	-	-	-	-	Vice President
I. J. Holton	-	-	-	-	-	-	Secretary
E. H. Larson	-	-	-	-	-	-	Controller
R. C. Dougherty	-	-	-	-	-	-	Assistant Secretary
E. C. Alsaker	-	-	-	-	-	-	Assistant Treasurer
R. H. Biedermann	-	-	-	-	-	-	Assistant Controller

DIRECTORS

R. D. Arney		
Bruce Corey		
H. H. Corey		
R. F. Gray		
I. J. Holton		
James C. Hormel		
O. L. Marquesen		
Gordon Murray		
J. L. Olson		
Geo. W. Ryan		
Fayette Sherman		
M. B. Thompson		



